

Implementation and role of IFRS and Internal Audit in Azerbaijan, legal requirements for mandatory application. The role of professional organizations. Recognition of international certification programs.

Distinguished colleagues,

When we speak about transparency and trust in modern financial systems, two elements are fundamental: high-quality financial reporting and strong internal control mechanisms.

In Azerbaijan, significant progress has been made in both areas through the implementation of International Financial Reporting Standards (IFRS) and the development of the internal audit function.

The transition to IFRS, supported by the Law on Accounting of the Republic of Azerbaijan, has helped align the country's financial reporting framework with global practices. Today, public interest entities, including banks, insurance companies, and listed organizations—prepare their financial statements in accordance with IFRS.

This has significantly improved transparency, comparability, and investor confidence.

However, implementing IFRS is not only about adopting standards. It is about building institutional capacity, strengthening professional skills, and developing a culture of accountability.

This is where internal audits become critically important.

Under the Law on Internal Audit of the Republic of Azerbaijan, internal audit functions serve as an independent mechanism to evaluate internal controls, risk management systems, and the reliability of financial reporting.

In practice, internal auditors play a key role in supporting IFRS implementation by:

- reviewing accounting policies,
- assessing financial reporting processes,
- and ensuring the quality and integrity of financial disclosures.

In other words, IFRS sets the standards, while internal audit helps ensure those standards are properly applied.

Looking ahead, the next stage of development will likely focus on digital transformation, data analytics in auditing, and continuous professional education for finance professionals.

These factors will be essential for strengthening financial governance and trust in the financial ecosystem.

However, adopting international standards is not only a regulatory process. It also requires qualified professionals who can properly apply these standards in practice.

Here, the role of professional organizations has become extremely important.

Institutions such as the Chamber of Auditors of Azerbaijan Republic and the Association of Professional Financial Managers of Azerbaijan contribute to the development of the profession by supporting training, professional certification, and knowledge exchange.

Another important aspect is the recognition and promotion of international certification programs. Global qualifications such as ICB and ICFM or other internationally recognized diplomas help finance professionals in Azerbaijan align their competencies with global standards.

These programs strengthen professional capacity in areas such as:

- IFRS implementation
- Auditing and assurance
- Financial Management
- Risk management and compliance

At the same time, internal audit, supported by the Law on Internal Audit of the Republic of Azerbaijan, plays a critical role in ensuring that financial reporting systems operate effectively and in accordance with these standards.

Internal auditors review accounting policies, assess financial reporting processes, and provide independent assurance on the quality and reliability of financial information.

Therefore, we can say that strong standards, strong institutions, and strong professional competencies must develop together.

By strengthening cooperation between regulators, professional organizations, universities, and international certification bodies, Azerbaijan can continue to build a transparent, modern, and globally integrated financial ecosystem.

Digital transformation action plan (2026–2028)

Under a presidential directive, Azerbaijan established the (Digital Development Council and approved a 2026–2028 Digital Development Action Plan, aiming to accelerate national digital finance, electronic government services, innovation, and artificial intelligence integration.

Also, the Government of Azerbaijan, through the Ministry of Finance of the Republic of Azerbaijan, has recently launched and started implementing a national electronic accounting (“e-accounting”) system as part of its broader digital finance transformation project.

Overall, this initiative represents a major step toward digitizing financial reporting and public finance management in Azerbaijan, supporting better governance and economic transparency.

Thank you for your attention.